

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation on the
Commission's Own Motion into the Rates,
Operations, Practices, Service, and Facilities of
Pacific Gas and Electric Company (U 39-M).

Investigation 06-03-003
(Filed March 2, 2006)

Application of Pacific Gas and Electric Company
(U 39-M) for Authorization, Among Other
Things, to Increase Rates and Charges for Electric
and Gas Service Effective on January 1, 2007.

Application 05-12-002
(Filed December 2, 2005)

**INTERIM OPINION AUTHORIZING PACIFIC GAS AND ELECTRIC COMPANY
TO RECOVER ITS GENERAL RATE CASE REVENUE REQUIREMENT
EFFECTIVE ON JANUARY 1, 2007**

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INTERIM OPINION

1. Summary

This decision grants Pacific Gas and Electric Company's (PG&E) unopposed motion to make the 2007 test year General Rate Case (GRC) revenue requirement ultimately adopted by the Commission effective on January 1, 2007, in the event the Commission issues a final decision adopting PG&E's GRC revenue requirement after that date.

2. Background

In Application (A.) 05-12-002, PG&E asks the Commission to adopt PG&E's requested GRC revenue requirement for 2007-2009 and implement the revenue requirement on January 1, 2007. The Assigned Commissioner's Ruling and Scoping Memo dated February 3, 2006, set a schedule that provided for the issuance of a Commission decision in December 2006. This proceeding was on schedule when the evidentiary hearings ended on July 7, 2006.

After the evidentiary hearings, PG&E and the other parties commenced negotiations to settle all GRC issues. The negotiations were productive but time consuming. As a result, the parties repeatedly asked for, and were granted, delays in the proceeding schedule. These delays made it difficult, if not impossible, for the Commission to issue a decision in December 2006 as contemplated by the assigned Commissioner's Ruling and Scoping Memo.

On August 11, 2006, PG&E filed a motion for the Commission to issue an interim decision that makes the PG&E GRC revenue requirement for the 2007 test year ultimately adopted by the Commission effective on January 1, 2007, in the event the Commission issues a final decision adopting PG&E's revenue requirement after that date. PG&E states that granting its motion would facilitate the settlement of GRC issues by providing sufficient time for settlement

negotiations while leaving the parties indifferent to when the Commission issues a final decision. There was no response to PG&E's motion.

A proposed settlement agreement that resolves most GRC issues was filed on August 21, 2006, by PG&E and several parties. In accordance with the schedule agreed to by the parties, opening and reply briefs regarding the settlement (and the GRC issues addressed by the settlement) are due on September 20 and October 5, 2006, respectively.¹

3. Discussion

We have a long-standing policy of encouraging the settlement of disputes. This policy supports many worthwhile goals, including reducing the expense of litigation, conserving Commission resources, and allowing parties to reduce the risk that litigation will produce unacceptable results.

Here, the time consumed by the parties' good faith settlement efforts has made it unlikely that a decision that determines PG&E's 2007 test year GRC revenue requirement can be issued in time to implement the adopted revenue requirement on January 1, 2007, as requested by PG&E in A.05-12-002 and contemplated by the assigned Commissioner's Ruling and Scoping Memo. Given these circumstances, we conclude that it is reasonable to grant PG&E's unopposed motion to make its 2007 test-year GRC revenue requirement ultimately adopted by the Commission effective on January 1, 2007, in the event the Commission issues a final decision adopting the revenue requirement after that date.² The adopted revenue requirement ultimately adopted by the Commission may include interest, as necessary, to keep PG&E, its ratepayers,

¹ It appears at this time that some parties will oppose the settlement agreement.

² Today's Decision does not prejudge the Commission's forthcoming decision on the settlement agreement and PG&E's GRC revenue requirement.

and other affected parties indifferent to the timing of the Commission's final decision.

4. Waiver of the Comment Period

This decision grants PG&E's uncontested motion. Therefore, the otherwise applicable 30-day period for public review and comment is waived pursuant to Pub. Util. Code § 311(g)(2).

5. Assignment of the Proceeding

John A. Bohn is the Assigned Commissioner and Timothy Kenney is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. Delays in the proceeding schedule caused by the parties' good faith settlement negotiations have made it unlikely that a decision can be issued prior to January 1, 2007, that determines and adopts PG&E's GRC revenue requirement for the 2007 test year.

2. PG&E's unopposed motion seeks a Commission decision prior to December 31, 2006, that makes the PG&E GRC revenue requirement for the 2007 test year ultimately adopted by the Commission effective on January 1, 2007, in the event the Commission issues a decision adopting the 2007 test year GRC revenue requirement after that date.

Conclusions of Law

1. PG&E's motion is reasonable and should be granted.
2. PG&E's GRC revenue requirement for the 2007 test year should include interest, as appropriate, to keep PG&E, its ratepayers, and other affected parties indifferent to the timing of the final decision adopting the revenue requirement.
3. The following order should be effective immediately in order to avoid the possibility of retroactive ratemaking.

INTERIM ORDER

IT IS ORDERED that:

1. The motion filed by Pacific Gas and Electric Company (PG&E) that is described in the body of this decision is granted.
2. PG&E's general rate case (GRC) revenue requirement for the 2007 test year, as determined in this proceeding, shall be effective as of January 1, 2007, even if the Commission issues a final decision adopting PG&E's 2007 test year GRC revenue requirement after that date. The adopted revenue requirement may include interest, as appropriate, to keep PG&E, its ratepayers, and other affected parties indifferent to the timing of the Commission's final decision.
3. This proceeding remains open to resolve all pending GRC issues.

This order is effective today.

Dated _____, at San Francisco, California.